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THE AGRICULTURAL SITUATION



JULY 1940

A Brief Summary of Economic Conditions

Issued Monthly by the Bureau of Agricultural Economics, United States Department of Agriculture

Subscription price, 50 cents per year; single copy, 5 cents; foreign price, 70 cents; payable in cash or money order to the Superintendent of Documents, Government Printing Office, Washington, D. C.

VOLUME 24 - NUMBER 7 - WASHINGTON, D. C.



IN THIS ISSUE

Commodity Reviews:		Page
Demand.....	<i>F. L. Thomsen</i>	2
Production, Exports, Prices, etc.....	<i>Frank George</i>	2-8
This Changing Agricultural World		
III: Wheat.....	<i>G. P. Boals</i>	9
Is Price Inflation Inevitable?.....	<i>Mordecai Ezekiel</i>	11
Grass Silage in the Northeast.....	<i>Emil Rauchenstein</i>	16
Garbage Feeding of Hogs.....	<i>A. B. Genung</i>	17
Canned Fruits and Vegetables and the War....	<i>Gustave Burmeister</i>	18
Two Years of Crop Insurance.....	<i>J. A. Bird</i>	20
Production, Slaughter of Meat Animals.....	<i>C. L. Harlan</i>	22

DOMESTIC DEMAND GOOD, FOREIGN DEMAND POOR.

This sums up the market prospects as farmers get under way a new selling season. Most of the early crops are turning out better than had been expected. Slaughter supplies of hogs are declining, other livestock increasing. Spring pig crop was smaller this year than last, ditto the prospects for fall crop. Total supply of food, feed, and fibers is ample for domestic needs and large reserves. * * * Principal farm commodities except hogs have been selling higher this summer than last. Farm cash income increases seasonally this month, will increase more through October. Total for first six months of 1940 was higher than in 1939, may be higher in last half of year also. * * * Rising industrial activity is stimulated by defense program. This should mean larger consumer incomes during last half of year, in turn a stronger consumer demand for meats, dairy products, poultry products, fruits, and vegetables.

Commodity Reviews

DOMESTIC DEMAND: Rising

RECENT European developments have given additional force to the rise of industrial activity which began early in May. Preparations for our own defense program also have stimulated domestic business. Unless the war should end, this probably will result in a higher level of consumer purchasing power during the last half of 1940 than in the first half. The domestic consumer demand for meats, dairy and poultry products, fruits and vegetables will be strengthened by these developments.

Part of the recent increase of industrial production reflects increased buying of industrial goods by businessmen who are afraid that we may be short of some products such as steel later on, and that prices may go up. This means that a part of the present pick-up in orders is at the expense of buying at some later time, when inventories now being built up will be drawn upon. This would be the same kind of situation which occurred soon after the "war boom" of last fall. In this case, however, we have a vastly increased domestic defense program coming along to take up the slack.

If the war should suddenly end it is possible that the stoppage of British war orders plus the general uncertainty would cause business men to postpone further buying of industrial goods, leading to a temporary set-back of business activity. In view of the heavy Government defense expenditures in prospect, however, it does not appear probable that any recession which might develop would be either prolonged or severe.

F. L. THOMSEN.

PRODUCTION: Good Start

The new crops seem to be turning out much better than had been expected earlier in the season. Wheat

production will be only slightly smaller than the average for the last 10 years, a rye crop of average size is in the making, and the output of feed grains should be substantially above average, according to the Crop Reporting Board.

The Board said in June: "With pastures good and present and prospective grain and hay supplies ample, feed conditions are favorable for the production of livestock and livestock products. On June 1 the reported rate of milk production per cow and the number of eggs produced per 100 hens were the highest on record for that date."

Viewing crop production as a whole, it was indicated that good yields may more than offset the smaller acreage this year. June 1 returns from crop reporters as to composite prospects for "all crops" averaged about 5 percent higher than at the corresponding time a year ago, but about 2 percent below the "quite favorable" reports of 2 years ago.

EXPORTS: Reduced

United States exports of agricultural products have been sharply reduced in recent months. The total—excluding cotton and pork products—was smaller during the first nine months of the European War than in the like period a year earlier. Prospects for an immediate increase in exports are not good.

Meanwhile, new crops are being made in the United States, and large quantities of principal agricultural products will be available for export during the next 12 months. Rough estimates indicate more than 300 million bushels of wheat for carry-over and export during this period, a surplus of between 500 million and 1 billion bushels of corn (depending on the size of this year's crop), approximately 500 million pounds of lard, and 500 million pounds of pork.

The United States could export large quantities of evaporated milk and some butter without materially raising prices to our consumers. Fruits, tobacco, and cotton will be in abundant supply to satisfy domestic needs and permit large exports. Cotton supply above domestic mill consumption and reserves will be more than 10 million bales. United States production of soybeans this year has been tentatively estimated at 100 million bushels—the largest crop on record.

PRICES: Lower

The break in farm commodity prices following the lightning thrusts through Europe is reflected in the Government index of prices as of June 15. As of that date, the general average of prices received by farmers was 95 percent of the pre-World War base of 100. This compares with 98 as of May 15, and with 89 in June last year.

The latest index figure reveals that part of the increase that occurred at the outbreak of European War last September has been canceled. The index of prices received was 88 last August, and a month later the index was

98. Wheat has been the principal loser in the recent decline, nevertheless wheat and most other leading commodities except hogs are selling higher this summer than last.

The recent decline in the average of prices received has reduced the buying power of farm products, since prices farmers pay for commodities used in production and for living have been

Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

Year and month	Prices received	Prices paid	Buying power of farm products ¹
1939			
June.....	89	120	74
July.....	89	120	74
August.....	88	119	74
September.....	98	122	80
October.....	97	122	80
November.....	97	122	80
December.....	96	122	79
1940			
January.....	99	122	81
February.....	101	122	83
March.....	97	² 123	² 79
April.....	98	123	80
May.....	98	123	80
June.....	95	123	77

¹ Ratio of prices received to prices paid.

² Revised.

Prices of Farm Products

Estimates of average prices received by producers at local farm markets based on reports to the Agricultural Marketing Service. Average of reports covering the United States weighted according to relative importance of district and States.

Product	5-year average, August 1909-July 1914	June average, 1910-14	June 1939	May 1940	June 1940	Parity price June 1940
Cotton, lb.....	12.4	12.7	8.7	9.8	9.5	15.87
Corn, bu.....	64.2	68.4	49.9	63.4	63.5	82.2
Wheat, bu.....	88.4	89.0	62.5	80.7	67.4	113.2
Hay, ton.....	11.87	12.16	6.63	8.32	7.71	15.19
Potatoes, bu.....	69.7	71.8	61.0	83.5	85.7	87.6
Oats, bu.....	39.9	41.8	29.9	36.6	32.7	51.1
Soybeans, bu.....	(¹)	(¹)	.83	96	.79	(¹)
Peanuts, lb.....	4.8	5.2	3.4	3.7	3.5	6.1
Beef cattle, cwt.....	5.21	5.44	6.81	7.35	7.10	6.67
Hogs, cwt.....	7.22	7.16	5.96	5.35	4.82	9.24
Chickens, lb.....	11.4	11.9	13.4	13.6	13.3	14.6
Eggs, doz.....	21.5	16.7	14.9	15.1	14.4	² 21.3
Butterfat, lb.....	26.3	23.4	22.2	26.9	25.6	² 31.4
Wool, lb.....	18.3	17.5	21.9	27.6	28.6	23.4
Veal calves, cwt.....	6.75	6.77	7.98	8.91	8.46	8.64
Lambs, cwt.....	5.87	6.30	7.49	8.25	8.12	7.51
Horses, each.....	136.60	138.90	81.30	76.10	75.00	174.80

¹ Prices not available.

² Adjusted for seasonality.

practically unchanged. The purchasing power figure for June 15 was 77 percent of the pre-World War base of 100, compared with 80 in May, and with 74 in June last year.

INCOME: Increase

Farmers' cash income from marketings and Government payments in the first 6 months of 1940 was approximately 300 million dollars more than in the like period of 1939. Total for the first 6 months of 1939 was 3,532 million dollars. Much of the increase was from marketings of grains and dairy products. Prices of farm products declined sharply in the last half of May, nevertheless the average for all except hogs was higher in the first 6 months of 1940, compared with 1939.

The following table gives totals for May and for January through May with comparisons. Income in June was probably smaller than in May, but larger than the 531 million dollars for June last year. Income in July usually is sharply higher than in June, upped by receipts from the new winter-wheat crop. Income from vegetables also commonly reaches its monthly peak for the year in July.

Month and year	Income from marketings	Income from Government payments	Total
	<i>Mill. doll.</i>	<i>Mill. doll.</i>	<i>Mill. doll.</i>
May:			
1940.....	598	28	626
1939.....	528	80	608
1938.....	521	44	565
January-May:			
1940.....	2,858	385	3,243
1939.....	2,587	362	2,949
1938.....	2,639	212	2,851

WHEAT: Supply

News comes of damaged European crops as winter wheat growers in this country are in the midst of a new harvest.

The United States crop is smaller this year than last, but carry-over

stocks plus prospects for spring wheat indicate a total United States supply of about 1 billion bushels—about the same as in 1939. Should domestic disappearance total 675 million bushels during the coming year, the quantity for export during the year and for carry-over on July 1 next would be about 330 million bushels. This compares with 326 million bushels a year earlier.

The 1940-41 supply of wheat outside the United States may be 100 million to 200 million bushels smaller than the 4,450 million bushels supply estimated for 1939-40. Smaller production this year than last will be offset in part by the larger carry-over this July 1. Most of the reduction in this year's crop is in Europe. The Argentine crop—available in January—probably will be larger than the small outturn last year, but there may be some reduction in the Australian crop as a result of dry weather.

Exportable supplies in surplus producing countries—including the United States—will total about 1 billion bushels this year. This is about double the average of net world imports during the last 5 years.

COTTON: Outlook

European events weigh heavily upon the outlook for cotton, nevertheless prices have been doing better than had been expected a month or so ago when it appeared that export demand for the staple would be greatly diminished. Exports have declined and even though it appears likely that the United States will again have a large carry-over of cotton this year, prices have averaged about 10 percent higher this summer than last.

Principal strengthening factor in the cotton situation is the prospect for improved domestic business conditions this summer. Domestic mill activity has increased from the low point reached in late May, and may increase more. Activity currently is at a higher rate than it was last sum-

mer. Manufacturers' sales of cotton goods greatly exceeded production in mid-June. It is not likely, however, that domestic cotton mill activity will increase enough to offset the loss of foreign markets.

United States exports of cotton—supported by the Government program—totaled 5.9 million bales from August 1 through June 20, compared with 3.2 million bales in 1939, and with 5.5 million in 1938. Approximately 70 percent of the total this year went to Europe. The European War now adversely affects United States exports to countries which have consumed about 4.8 million bales of cotton in recent years, of which more than 2 million bales were supplied by the United States.

FEED: Ample Supply

Preliminary indications are that the total supply of feed grains will be slightly smaller this year than last, but more than enough for the number of livestock on farms this fall and next winter. Much depends, of course, upon the making of the corn crop this month and next.

In late June, it was indicated that the supply of corn—new crop plus carry-over—may be about 100 million bushels smaller this year than last. A larger supply of oats and barley was indicated, and a larger crop of grain sorghums. A hay crop of near-record proportions was indicated. Supplies of byproduct feeds are expected to be comparatively large.

HOGS: Improvement

The hog situation improved in early July as prices advanced more than \$1 per cwt. Slaughter supplies of hogs are declining, but marketings of sows are increasing. This means an increase in average weights. Feed prices stay high in relation to hog prices, and the foreign outlet for pork has practically disappeared. Exports of lard to the United Kingdom have been neg-

ligible, but this has been partly offset by increased exports to a few other countries. Trade reports in early July indicated increased orders from Great Britain.

Total slaughter supplies are larger this summer than last, though the spread is narrowing as contrasted with the large excess in earlier months. Storage holdings of pork are a little larger this summer than last, but holdings of lard—283 million pounds as of June 1—are the largest on record for this time of year. To help relieve the general situation, the FSCC has been making large purchases of pork and lard for distribution to persons on relief.

Producers have reported a smaller pig crop this spring—approximately 48.0 million head as compared with 52.3 million in the spring of 1939. Of the total 1940 spring crop, 36.2 million head are in the Corn Belt, compared with 38.1 million in 1939. The largest spring crop on record in the Corn Belt was 44.2 million in 1931.

The number of sows bred to farrow next fall has been indicated at 4.5 million, compared with 5.1 million in the fall of 1939. * * * All figures suggest a total production—spring and fall combined—of 75.8 million pigs in 1940, compared with 84.3 million in 1939. (The 1939 crop was the largest in 16 years of Government record.)

The big question for the coming year is whether the reduction in the pig crop will be more than offset by the lack of foreign demand.

CATTLE: Marketings

Marketings of fed cattle have been increasing but prices have held up. Marketings will continue large this month and next, but some improvement in consumer demand for all meats is in prospect. Slaughter supplies of cows and heifers will increase seasonally during late summer and fall, but marketings of such cattle are expected to continue smaller than a year earlier throughout the year.

Less than half of the total cattle slaughter consisted of cows and heifers this spring. This holding back of breeding stock reflected favorable range and pasture conditions. Winter and spring losses of cattle were smaller than the average for most recent years, cattle generally made good gains this spring, and prospects for the 1940 calf crop were quite favorable. Prices of slaughter cows tended to increase as marketings of breeding stock were reduced.

Cattlemen look for an increase in the number of cattle in the Great Plains during the next few years, provided range conditions continue favorable during this period. A strong demand for breeding stock was reported in this area this spring, from the Canadian border south through Montana and North Dakota to New Mexico and Texas.

LAMBS: Increase

Available information indicates that the 1940 lamb crop—total for the entire country—was about the same as or a little larger than the 1939 crop. The western lamb crop was larger this spring than last, the native lamb crop was about the same as in 1939. Western production was favored by unusually good lambing conditions; in the native sheep States the season began poorly, then improved.

Slaughter supplies of sheep and lambs may be a little larger this summer than last, due principally to the better development of the crop in the western sheep States, the prospects for a smaller proportion of the western lamb crop marketed as feeder lambs this year than in 1939, and indications that marketings of spring lambs from the native sheep States will be somewhat later this year than last.

It is expected, however, that the effect of the larger slaughter supplies upon lamb prices will be offset to some extent at least by a stronger consumer demand for meats.

WOOL: Favored

Three recent developments are favorable to the disposal of the 1940 domestic wool clip. They are the current rise in domestic industrial activity, the award of contracts by the War Department for relatively large quantities of wool cloth and blankets, and the sharp decline in imports of apparel wool.

Domestic mill consumption of wool declined sharply during the early months of this year, but it is believed that consumption will increase now. Prices of wool, already about 25 percent higher than in 1939, strengthened following the announcement of projected purchases by the War Department. Wool is one of the few agricultural commodities now selling higher than the parity price as computed under provisions of the Agricultural Adjustment Act.

The bulk of the 1939-40 clip in South America and the Union of South Africa had been sold by June. Exports from Argentina and Uruguay during the first 7 months of the season through April were 5 percent larger than the average for the like period in the preceding 5 years; exports from the Union of South Africa were smaller. Offerings of wool in most foreign markets are likely to be restricted until the new Southern Hemisphere clip is available in the fall.

FRUITS: Reduction

Smaller crops this year, but enough for domestic needs—in view of the diminished exports—sums up the outlook for fruits. Smaller crops than a year ago are indicated for apricots, cherries, peaches, pears, plums, dried prunes, and possibly grapes; larger crops include summer oranges and lemons, strawberries, and a few miscellaneous fruits. The condition of apples in commercial areas on June 1 was slightly below that of a year ago.

Government agricultural economists believe that, because of the war in

Europe, the exports of fresh fruits other than citrus will be negligible this season. Citrus probably will go to Canada in normal volume; quantities may go also to the United Kingdom cut off from trade with Italy and Palestine. BAE says that "if methods of payment can be arranged and shipping space is available, the United States could supply the United Kingdom with a large quantity of citrus, dried fruits, and canned fruits."

Peaches are a smaller crop this year in the early Southern and North Central States, but California production for canning and drying is about as large as that of last season. The pack of both canned and dried apricots probably will be small. The carry-over of canned pears is small, but of dried pears relatively large. Most fresh fruits have been selling higher this summer than last.

TRUCK CROPS: Increase

Marketings of truck crops are increasing seasonally, as production from market garden areas is added to supplies from more distant commercial producing areas. Fresh vegetables in larger market supply this summer than last include beets, cabbage, cantaloups, carrots, green peas, green peppers, tomatoes, and watermelons. Products in smaller supply are celery, cucumbers, eggplant, lettuce, onions, and snap beans.

Prices of fresh vegetables have been slightly higher this summer than last, reflecting smaller total supplies and improved consumer demand. The seasonal peak of supplies will be in August and September. Farm income from vegetables in July is usually larger than in any other month of the year. Total for this month in each of the last 2 years was 70 million dollars.

An increase of about 16 percent in acreage of vegetables for processing this season was indicated by various plantings reports received through

June. Increases were indicated for all commodities except spinach and pimientos. Carry-over stocks are generally smaller than a year ago, but with average yields on the increased acreage this year total supplies probably will be ample for domestic requirements.

POTATOES: Supply Up

Heavy marketings of potatoes are in prospect this month and next. This is indicated by a considerable increase in the crop in the intermediate producing States this year, and the fact that shipments of some of the early maturing varieties produced in the late States will be moving to market during this period. A crop of 10.8 million bushels, or about 26 percent more than in 1939, has been indicated for the first section of intermediate States; the second section has a larger acreage this year, and yield prospects are favorable.

Market prices of new potatoes declined in June as shipments increased, but averaged higher than in June last year. Favorable factors were the decreased supply of old stock potatoes and an improved consumer purchasing power. Market prices of potatoes usually decline through July and August when the peak of market supplies is reached.

FATS, OILS: Decline

Recent declines in prices of most domestic fats and oils, oilseed meal, and oilseeds reflect the loss of foreign markets resulting from the German occupation of Denmark, Norway, Netherlands, and Belgium. Ten to 15 percent of our total foreign outlets for lard, and more than half of the export markets for soybeans and oilseed cake and meal have been adversely affected.

United States imports of certain vegetable oils from the Netherlands have been cut off, as well as fish-liver oils from countries bordering the North Sea. Extension of the war to

Southern Europe and North Africa means that imports of olive oil may virtually cease. The reduction in imports of edible fats from Europe probably will equal or exceed the losses in exports of lard, soybeans, and other fats.

Domestic production of fats and oils is now equivalent to about 90 percent of total domestic requirements. At the present time a surplus exists in some lines of edible fats and a deficit in certain industrial oils, notably quick-lathering oils for soap, and the drying oils.

MILK: Big Production

Milk is flowing in unusually heavy volume this summer in response to good pasturage and supplemental feeding induced by the higher prices—as compared with a year ago—for milk and butterfat. Consumption of butter exclusive of relief distribution is slightly higher than a year ago, the demand for evaporated milk has increased, but the demand for cheese has shown the least change of the manufactured dairy products.

An increase in industrial production would further strengthen the domestic demand for dairy products. Exports of condensed, evaporated, and dried milk products have increased in recent months, but foreign markets are not an important outlet for our dairy products. Of greater importance are the developments in the domestic market.

Milk production will decline seasonally during the next 4 to 5 months, but the output will continue above average for corresponding months in recent years. BAE says the larger number of cows on farms, the improvement in pastures, and the higher prices for dairy products will tend to keep production high unless the weather should become unfavorable.

MARGARINE: Decrease

Production of oleomargarine in 1939

was the smallest since 1934, reflecting the large supplies and low prices of butter during the past year. Total output was 301 million pounds, compared with 380 million pounds in 1938, and with 392 million in 1937. Consumption of margarine averaged 2.3 pounds per capita in 1939, compared with 3.0 pounds in 1938.

Cottonseed oil and soybean oil have largely displaced coconut oil in the manufacture of margarine in recent years. Coconut oil contributed 75 percent of the total fats in 1933, but made up only 16 percent of the total in 1939.

EGGS: Production Down

Production of eggs has declined rapidly in recent months, the output for July probably aggregating 3 billion to 3½ billion eggs as contrasted with more than 5 billion in April. April is the peak production month of the year. Production has been somewhat larger than in the corresponding months a year earlier, but prices to farmers show little difference, having been supported by the better consumer demand this spring and summer than last, and by FSCC purchases.

The relationship between egg prices and feed prices continues unfavorable to producers as compared with a year ago and with the 1929–38 average. This indicates that the demand for summer hatched chicks for pullet production will be smaller than is usual. Commercial hatcheries reported about 14 percent fewer chicks hatched during January–May this year compared with last.

Hatchery reports indicate that not many late turkeys will be raised this year. Total production of turkeys will be smaller than in 1939, but not to the extent of the decrease indicated by commercial hatcheries alone. Farmers had indicated in February they would buy fewer hatchery poults, but that they would produce more poults at home.

FRANK GEORGE.

This Changing Agricultural World

III: Wheat

A MARKED increase in world wheat acreage—principally in the U. S. S. R., Europe, Canada, and the Southern Hemisphere—has largely accounted for the larger world production during the past 20 years, though yields have been an important contributing factor in strengthening or modifying the production trend. Increased yields have been of particular significance in Europe. The major part of the increase in total production has been in Russia, the Danube Basin, and European importing countries. Production has increased in Australia and Argentina, and in a number of non-European importing countries such as Japan, South Africa, New Zealand, Brazil, and Peru.

While most of the increase in the Russian crop has been used domestically, a certain quantity of Russian wheat has also become a factor in world trade, together with the larger quantities from the Danube Basin and the Southern Hemisphere. The increased quantities in European and non-European importing countries also have affected foreign trade. During the 1920's net exports and imports of 750 to 800 million or more bushels were considered as "normal," with an all-time high record of more than 900 million bushels in 1928-29. During the past decade, however, exports and imports have been ranging mostly from 500 to 600 million bushels, or about one-third less. This decline has been largely a result of increased production in importing countries and of foreign government controls which have adversely affected the wheat exporting countries.

DURING the period of increased wheat exports, shifts in foreign trade were largely limited to seasonal crop changes. The four principal exporting countries—United States, Can-

Wheat is an outstanding example of the great changes which have occurred throughout the agricultural world in the last 20 years. The world wheat acreage has been greatly expanded and production increased to new record levels; consumption has also increased but at a less rapid rate, so that carry-over stocks have become an important feature of the wheat situation; prices have declined to record low levels as supplies increased, and similarly foreign trade in wheat and flour has been curtailed following increased production and import restrictions in importing countries.

Currently, the prospects are for a world wheat crop this season well below the big harvests of 1939 and especially 1938 but only slightly less than the estimated annual consumption requirements. At the same time, world carry-over stocks of wheat have reached new record levels. Most of the expected reduction for 1940 is in the European wheat crop, notably the Danube Basin, France, the Low Countries, and to a certain extent Central and Northern Europe. Ordinarily this would result in a significant increase in wheat imports from the United States and other exporting countries. Whether or not the British blockade or various government trade policies will prevent an increase in wheat trade in unpredictable.

ada, Australia, and Argentina—almost monopolized the world trade in wheat, usually accounting for 85 to 90 percent or more of the total. On a quantity basis these countries furnished around 700 million bushels or more in most years. Of the total trade, Argentina usually accounted for 15 to 20 percent, Australia, 10 to 12 percent, Canada around 40 percent, and the United States, 20 to 25 percent. Other ex-

porters were the Danube Basin countries with about 5 percent, and India, North Africa and the U. S. S. R. with an average of 1 to 2 percent each. During the past decade, however, not only has the total volume of trade declined but the origin of the supplies has undergone some significant changes. In certain seasons, severe droughts or other crop damage have caused sharp fluctuations in the export movement.

THE principal shifts in trade have been due to the increasing importance of production in the Danube Basin, Russia, and French North Africa, and to local European surpluses. The share of trade for these countries has risen from some 7 to 10 percent a decade ago to 20 to 25 percent in recent years. The volume of trade for these countries has also increased despite the decreased volume of world trade.

Accordingly, the overseas countries as a group, and the United States in particular, have been forced to relinquish part of the trade developed during the war period and the decade of the 1920's. Australia and Argentina have fairly well maintained their volume and in turn somewhat increased their share of trade. Canada has had some reduction in volume but practically held its share, while the United States has had both a decreased volume and share of the world wheat trade in the past decade.

As regards imports, Europe continues the dominant factor with 75 to 80 percent of the total world trade in most seasons. Most of the decline in world trade has been due to a decline in European takings so that little change has occurred in the share of trade for Europe and non-European countries.

OF all developments in the wheat situation in the past 2 decades, the role of government policy has been in many ways the most significant. Government control and influence over wheat production and

trade have brought the wheat and flour industry in many countries to the virtual status of a "public utility" to be operated in accordance with the general welfare or national interest. The importance of bread in the diet of countless millions, of wheat growing in the world's agriculture, and of agriculture in the national economy of so many countries has tended to make wheat a key industry and as crises developed, government action has been taken.

The number and types of measures adopted with respect to wheat production and trade have shown a sharply increasing trend in most countries. Ominously perhaps, government action with respect to wheat has generally shown only one trend and that is increasing control and regulation. Many countries have already reached an advanced state of wheat monopolies with complete control of the industry. Production aids usually include fixed prices, or two-price systems, loans or benefit payments, mixing regulations, and improved seed distribution, while among the import restrictions may be mentioned exchange control, tariffs, license or import permit systems, milling and baking regulations and, as regards certain countries, clearing, barter or preferential agreements, and government deals.

The latter type of Government action has increased markedly in recent years and as a result there is the tendency toward the "channelization" of the world wheat trade. The larger the share of the world wheat trade that becomes "channelized" the smaller the amount of the free market. This development of course is not unfavorable for all countries—on the contrary for those exporters receiving preferential treatment via special tariffs, currency regulations, barter or otherwise, the wheat trade and industry is placed on a more or less stabilized basis with increases possible if the market permits. Among the exporting countries which have been enjoying preferential market

and trade conditions are those of the Danube Basin, the Near East, North Africa and at present also Russia, and the British Empire countries. In fact, the only important exporting country outside of the favored wheat market groupings today is the United States.

CERTAIN trends and developments stand out as likely to have an important effect on the world wheat trade and industry in the next several years. As regards the United States, perhaps the most significant development is the current trend toward "fixed" markets or "channelized" trade. This tendency seems likely to be further intensified by the present war in Europe, due in large measure to the foreign exchange situation in the various countries. Under such conditions, three alternatives present themselves: (1) An international wheat agreement which would allocate the trade among the exporting countries, (2) participation in "fixed" markets or "channelized" trade largely via special

government arrangements, barter, and the like and (3) withdrawal from the world wheat trade as an active or major exporter.

For the United States, and for most of the other exporting countries, alternatives 1 and 2 would probably require only little change in the domestic wheat industry, but alternative 3 would force a marked readjustment. Whether or not a satisfactory and workable wheat agreement can be negotiated after the present European War is problematical. Similarly, participation in "channelized" trade depends upon government policy and action which in certain cases at least is problematical. For some countries such action would be almost a reversal of present trade policy. It is not likely that the world wheat trade will soon return to a purely economic basis with price and quality again the chief market factors, regardless of who wins the European War.

GORDON P. BOALS.

Is Price Inflation Inevitable?

FARMERS and business men are well-acquainted with the effect of the first World War on prices. Prices of most farm products more than doubled. Land values shot up sharply, especially in the Corn Belt. Many other factors also contributed to farmers' economic ills since 1920. Even so, the memory of the acute troubles that grew out of the war price inflation cause very real concern about the difficulties that might follow from a new inflation period.

The outbreak of the second World War in September 1939, touched off an immediate speculative advance, both in commodity prices and in business activity. This advance was based on memories of the previous war inflation, rather than on any imme-

diately export orders. During the first quarter of 1940, it became apparent that war orders were not showing up in anything like the volume anticipated, and most prices and industrial production sagged back toward the August levels. Only where war interrupted supplies of imported products, or where bad weather was cutting into crop prospects, as with wheat, were the price advances maintained.

May and June of 1940, however, produced a new situation, with the warfare abroad flaming to "total war" intensity, and with the start of a great defense program in the United States running into billions of dollars. Industrial production, especially in steel, has again turned up. War and defense are dominating all business

plans. Do these recent developments indicate that a war price inflation is about to get under way?

THE situation today differs greatly from that which caused price inflation in the first World War. Three differences are outstanding:

(1) The difference in the supply situation, especially with reference to farm products.

(2) The difference in the way the war in being financed and supplied.

(3) The difference in unused industrial productive capacity, both of equipment and men.

First, the changes in the supply situation are obvious to anyone who has followed the trends in world trade over recent years. Europe is far better able to feed herself today than in 1914. England has many other alternative sources of food imports which were not available then. World farm production has been outrunning consumption, and reserve stocks are unusually high. It is possible that only after one or two years of very destructive warfare Europe would have to turn to us for greatly increased purchases of farm products.

Second, the first World War was paid for largely by borrowing. We and the Allies met from 67 to 83 per cent of the total war expenditures from credit. Today, the English are doing everything they can to restrict civilian consumption and to pay for the war as they go. They are diverting buying power by heavy taxes and enforced savings. They are restricting consumption by rationing, by import quotas or embargoes, and by limiting the foreign exchange which can be used for food imports. Furthermore, by letting the pound depreciate in relation to the dollar, they are discouraging imports. Both directly and indirectly they are limiting purchases from the United States and are buying instead from other countries where they do not have to use dollar exchange. Farmers have already felt the impact of these policies in sharply reduced

exports of tobacco, wheat, fresh and dried fruits, and hog products. Instead of war demands driving up exports and dollar prices of farm products, as in 1914-19, exports of farm products are falling.

Finally, today we have abundant unused raw resources, many industrial plants idle or only partially active, and millions of workers looking for jobs. In 1914-15, on the contrary, our industrial capacity was pretty fully utilized. Increased demand today will act first to put more men at work and increase production. While there may be bottlenecks that will stiffen prices in particular products, there seems little reason why the price level as a whole should rise until our manpower and our equipment are much more fully utilized.

THE differences between the present situation and that of the first World War are shown graphically in the accompanying chart. The two upper sections show the liquidation of foreign-owned securities, and the sale of foreign bonds to private citizens here. These provided the funds for foreign purchases here in the early years of the first World War. After we entered the war, the federal government began to finance both our own armament and the Allies'.

The third section shows the way the Federal operations were financed. Expenditures (the top line) rose from 1 billion to more than 18 billion dollars. Receipts rose from about 1 billion to more than 5 billion. The difference (indicated by the black area) was covered by borrowing. In 1918-19, at the height of our war effort, the federal deficit was over 13 billion dollars.

The effect of these expenditures on industrial production is shown in the section next to the bottom. By 1916, our industry was already operating at full capacity, more than 10 percent above the long-time trend. Despite the tremendous expenditures of the subsequent years, the volume of output actually declined. Once we were

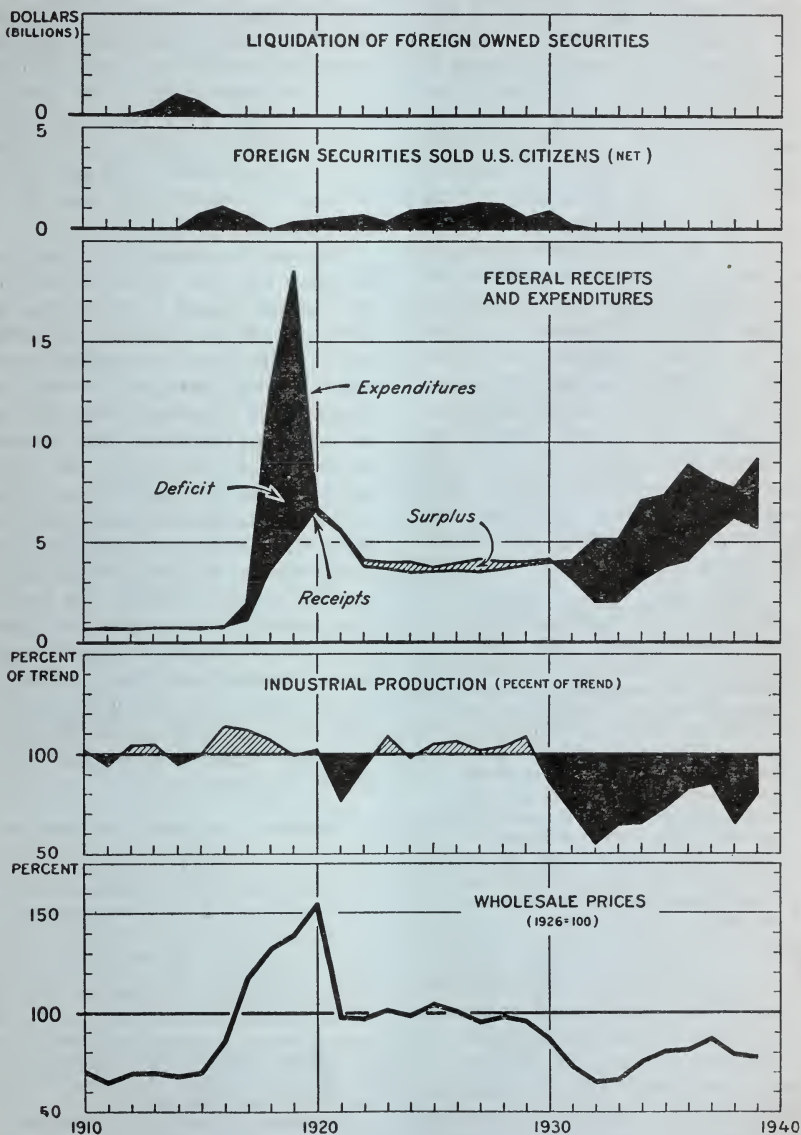
operating at full capacity, the pouring of more money into the demand had no further effect upon the quantity of goods produced.

When the great outpouring of funds could not drive up the quantity of goods produced, it drove up the price per unit instead. This is shown in the bottom section of the chart. By 1916,

wholesale prices were already rising as a result of the expenditures by the Allies. Thereafter prices more than doubled, as we dumped additional billions of dollars into the market.

WHEN great amounts of money are borrowed and spent after production is already running at full

HOW THE WAR AND RECOVERY WERE FINANCED IN THE U.S.A.



capacity, the effect is solely to push up prices. That is where our war price inflation came from. But when great amounts of money are borrowed and spent when there is great unused capacity, the effect on production and prices is entirely different. This is shown by the record for the years 1932 to 1939.

In those years, government expenditures again greatly exceeded receipts (except in 1938 when the deficit was sharply curtailed). Business activity at the beginning was down to almost half normal. The effect of the government expenditures was to increase industrial production greatly, while price levels rose only slightly. (Even this rise was due largely to other causes, such as the shift in gold values, droughts, and agricultural adjustment programs.) The cut in Government expenditures in 1938 was accompanied by a sharp drop in industrial production, and the resumption of expenditures in 1939 by a new production upturn, while price levels remained substantially unchanged. The spending of large amounts of borrowed funds when much productive capacity and many men were idle apparently increased production first, with little or no effect on price levels.

These facts indicate that so long as we have millions of men still unemployed, and much productive capacity unused, neither war demands nor defense expenditures are likely to result in any appreciable price inflation here. With approximately one-quarter of our industrial workers unemployed despite heavy deficit expenditures in recent years, it appears that defense expenditures would have to go up to many billions per year before they would generate either full employment or rising prices.

THE development of our new defense program is being accompanied by consideration of proposals for covering a considerable share of the new expenditures by sharply increased taxation, and for reducing expenditures on regular government activities. This would follow closely

the policies now in use in the belligerent countries.

The facts presented are also of interest with reference to these fiscal questions. These facts suggest that we could finance our defense program by borrowing for a considerable period ahead with little danger of inflation. We have great unused productive resources and millions of unemployed workers. If we should finance the defense program by borrowing, this would increase production and employment correspondingly. If we should finance it wholly by taxation and economy elsewhere, this would simply shift production from civilian needs to armament and munitions, without increasing employment or total production.¹

The more we depend on taxation or economy that falls on consumers, and the less we depend on borrowing, the more we will be creating our defense out of butter and clothes and automobiles that otherwise would be bought and consumed, and the less we will be getting it out of an increase in our total production. It would appear that we could finance the defense program largely out of borrowing until real labor shortage and rising prices warned that we were approaching full capacity. Then, and not till then, would be the time to curtail civilian consumption through higher taxes or other more direct measures.

The issues and problems in this field were strikingly summarized by Secretary Wallace in a recent radio talk.² He said:

¹ The relation is not quite so simple as stated. Some forms of taxes (such as direct commodity or sales taxes) fall largely on persons with low incomes, and reduce expenditures for consumption to the full extent of the tax. Other taxes (such as progressive income or inheritance taxes, or excess-profit taxes) fall largely on income that otherwise would be hoarded in idle savings, and so have relatively slight effect on consumption. If it were possible to increase those taxes that fall on hoarded savings, without increasing those taxes that reduce consumption, this would help finance the defense program without checking the employment or production generated by it.

² "The Defense of Our American Democracy," radio talk by Henry A. Wallace, June 4, 1940.

We have millions of men idle today, and great factories only partially utilized. By putting them at work, we can produce great quantities of tanks, airplanes, armaments, and munitions, without reducing our production of food, clothing, or other articles for civilian use. In the first world war, borrowing produced price inflation because we had no unused capacity to fall back on. Today, there is no danger of inflation so long as we have unused labor and plant capacity to put to work. We must be careful not to tax so heavily or so soon that we reduce civilian consumption while millions of men are still unemployed. We should not forget that even our present tax rates as modified by the President's recommendation will bring in vastly increased revenue to the government when more production and more jobs are created and business activity rises.

PPRICE inflation is not only not inevitable—it hardly seems even probable for a long time ahead. The price inflation of the previous war was due largely to lack of adequate comprehension of the forces which make prices and price levels. In the intervening decades there has been a great deal of experimentation in many countries with new methods of fiscal and financial control and a great development of instruments and agencies of knowledge and control.³ All of this past experience is being

³ Even such standard guides to economic policy as indexes of wholesale and retail prices (such as the B. L. S. index) and of industrial production (such as the F. R. B. index) were not available during the first World War.

drawn on today to ensure more effective results. The immediate danger here is not that we will produce inflation, but rather that our efforts to head off inflation will retard recovery and reemployment instead.

What happens to domestic industrial employment in the months and years ahead is of vital concern to farmers. Thus far, the war has greatly reduced their export outlets. New efforts are under way to move farm products abroad, such as through special sales to the Red Cross, or through barter for strategic industrial materials. Despite these efforts, the prospects for real improvement in farm exports are slim.

The only real hope farmers have for larger demand for their products lies in an improvement in industrial employment here, and in special action programs contributing to larger domestic consumption. Rising employment would increase the cities' buying power for farm products, and sustain or raise the prices of those products which depend on domestic markets. A severe problem would still remain in products which have been, or will be, particularly hard hit by the war, such as cotton, tobacco, raisins, and prunes. Even so, the influence of city buying power on farm prices and farm income is so great that our farmers will be vitally concerned with the effects of defense and defense financing on the employment and buying power of their city customers here at home.

MORDECAI EZEKIEL.

Credit.—Use of short-term production credit by farmers throughout the nation increased during the first 5 months of this year, according to the Farm Credit Administration. Loans outstanding at the end of May totaled 195 million dollars compared with 183 million on the same date last year. This represents an all-time high for the volume of loans outstanding from production credit associations to borrowing farmers. * * * The system of cooperative production credit for farmers was organized in 1934. Since then the production credit associations have made nearly 1.5 million loans aggregating more than 1.5 billion dollars.

Grass Silage in the Northeast

THE practice of making grass silage is becoming increasingly popular in the northeastern dairy region. Some farmers report that the ensiling of grasses and legumes is economical, that it saves money by saving the crop or at least a larger proportion of the crop. Some farmers believe that grass silage is a better feed than hay or corn silage. Some assert they can produce and feed grass silage more cheaply than corn silage.

The vagaries of weather are probably a basic reason for the development of the practice of making grass silage, because northeast farmers were complaining about extensive losses of hay crops in years when haying was bad. In New England, it is not at all unusual to have to barn hay that has been wet two or three times. The nutritive value is lowered; in addition, cows simply don't like the hay.

AFTER several years of experimentation, the experts have learned several things about grass silage. They have learned that it is not the cure-all for weather problems, because good grass silage needs wilting. Moreover, the whole process of cutting, loading, chopping, "molassesing," and ensiling is not simple. To find more specific answers the Bureau of Agricultural Economics and the New Jersey Experiment Station have made an intensive study of grass ensiling on 50 farms in northern New Jersey.

These 50 farms were large farms, averaging 50 cows. Only one-fifth had fewer than 30 cows. All were equipped with a tractor, a corn-silage or grass cutter, and a windrower attachment for the mower cutter-bar. Nearly all had a special grass loader or a hay loader. This meant an expensive investment in machinery for a small farm.

(From the standpoint of summer feeding, one needs to feed off grass

silage at the rate of about 3 inches daily. At 40 pounds per cow daily this would require about 40 cows for a 14-foot diameter silo, or 20 cows for a 10-foot diameter silo.)

These 50 farms had an average of 124 acres in crops as follows:

	Acres	Production
Hay:		
Alfalfa.....	32	78 tons.
Other.....	14	21 tons.
Grass silage:		
Alfalfa.....	12	76 tons.
Soybeans.....	6	30 tons.
Grass, oats, etc.....	4	19 tons.
Corn:		
For silage.....	17	136 tons.
For grain.....	20	736 bushels.
Small grains.....	24	
Other crops.....	5	
Total crop acres.....	124 ¹	

¹ +13.5 first cutting for silage included above.

There are good reasons why dairy farmers in northern New Jersey have not abandoned corn for hay. Records of yields in New Jersey from 1880 to 1938 indicate that corn yields were low—10 percent or more below average—in 11 of those years. Hay yields were low in 14 of those years, but both crops were low only 4 years in the 59.

THE fact that hay crops for silage can usually be grown with less labor per acre than corn does not mean that the farms would give a greater net return if hay crop acreages were increased and corn acreages reduced. The hay crops and corn do not compete but rather supplement each other in the rotation. The best combination of these crops will vary with different soils, topography, and supply of labor during the season, but in this area a combination of these crops will generally produce a larger and more even supply of feed than either one alone.

Molasses bought for \$17 to \$20 per ton was used at the rate of 50 to 100 pounds per ton of grass silage by

nearly all of the farmers. At this price, the silage was probably an economical feed. On the other hand, molasses is not necessary to make good silage from alfalfa or any other crop. If a silage crop (except corn) contains as much as 70 percent of water when put into the silo there is likely to be considerable leakage from the silo. This results in a loss of the most soluble nutrients. If the crop has 50 to 65 percent water when ensiled, is cut fine ($\frac{1}{4}$ -inch lengths), is well packed and sealed with 3 feet of very green material on top, there will be no leakage and the quality will be good with or without molasses. This has been tried out many times in various parts of the United States by farmers, agricultural experiment stations, and by the Bureau of Dairy Industry during the past 50 years.

Under usual farm conditions, where 2 or 3 men are putting up grass silage, as much is cut down in the morning as can be ensiled that forenoon or the rest of the day. Consequently, there is enough drying to prevent leakage and spoiling of the silage. However, if a silo is filled in the belief that hay can be made in the rain there is likely to be a cracked silo, odorous silage juice in the barnyard, and a rank-smelling grass silage that will not be relished by the cows.

THE labor in putting up a ton of dry matter in grass silage is greater than for a ton of dry matter in hay, but unless the weather is ideal for haying, the crop can be put up in a shorter period if some of it is ensiled. Grass silage also requires more tractor work than hay per ton of dry matter.

There was no exchange of labor and equipment between the farms in New Jersey in putting up grass silage as there usually is between smaller farms in putting up corn silage. Putting up the hay crop has practically always been an individual farm job to be hustled along whenever the weather permitted. With a larger proportion of the days in haying time suitable for ensiling crops than for haying, it seems as though one farmer owning a tractor and a silage or grass cutter could fill 3 to 6 silos in a neighborhood during the usual haying season to the benefit of all cooperating farms. At present, the farmers putting up grass silage are usually too far apart to make such exchange practicable.

No doubt the use of grass silage will increase considerably on the dairy farms in the Northeast. If some exchange of help and equipment could be worked out its use could be extended to many more of the farms with fewer than 30 cows.

EMIL RAUCHENSTEIN.

Garbage Feeding of Hogs

ASORT of "fringe" agricultural industry has grown up in this country, the extent of which is little known. It is the garbage feeding of hogs. It flourishes especially in the more populous States and in the vicinity of the large cities.

With the cooperation of the Extension Service an effort has been made to find out just how extensive this industry is. The county agricultural agents, excepting in certain plains and mountain areas, were queried about the matter. Reports

have been received from 1,524 counties. Virtually every county agent knows who the large feeders are, if there are any in his county, and can give a fairly good estimate of the number of hogs annually fed and sold.

THE reports so far tabulated show 1,047,000 garbage-fed hogs being marketed annually in this country. When allowance is made for certain counties for which reports are not yet complete, it is probable that the total number of garbage-fed hogs in the

country runs to more than a million and a quarter head a year. About half of these are said to be fed exclusively on garbage, while the other half may be fed some grain for finishing. Some, but not a large percentage, are marketed as feeder pigs.

Approximately 2,800 garbage feeding establishments have been listed, each feeding 100 head or more of hogs. The States showing the largest number of such feeders are Indiana 339, California 329, Massachusetts 315, New York 272, Virginia 145, New Jersey 123, and Missouri 103.

The large centers of garbage feeding are on the Atlantic and Pacific Coasts, especially in the vicinity of New York and Los Angeles. The largest single feeding establishment is reported from California, this one carrying around 60,000 hogs. There are numerous garbage feeders in that State having from 1,000 to 6,000 head apiece.

Of the total number of garbage fed hogs, about 401,000 head or 39 percent are sold yearly to local butchers. The great majority of feeders do not themselves slaughter and sell pork. Yet there were 167 counties reporting some such slaughter and sale by feeders themselves. It is indicated that the number of hogs annually so slaughtered and sold as pork by the feeders totals 43,000.

To the question "Do feeders pay for

garbage?" the replies from 139 counties were "yes" and 621 "no".

THE question was asked "Has any outbreak of disease, either swine or human, ever occurred in your county which was associated with this garbage feeding?". The replies to this question were 207 "yes" and 603 "no" but it may be noted that these answers were made from the general knowledge of the agents and do not represent exact or quantitative findings of health authorities. The States showing the largest number of affirmative answers to the disease question were California, Virginia, Oregon, West Virginia, New York, and Mississippi. Most of the disease reports are of hog cholera, with a sprinkling of various other hog diseases, and scattered cases of trichinosis.

The reports indicate that in some States this garbage feeding industry is a growing enterprise, as in California, Virginia, West Virginia, and Louisiana. States in which it is said to be a declining enterprise are Alabama, Indiana, Kansas, Mississippi, Nebraska, New York, New Jersey, and Pennsylvania. The total number of hogs being fed and marketed annually appears to be increasing, though it probably fluctuates somewhat with hog prices and market conditions.

A. B. GENUNG.

Canned Fruits and Vegetables and the War

WAR in Europe resulted in some expansion in exports of canned fruits and vegetables from the United States in contrast to the opposite effect on exports of most other agricultural commodities during the season now coming to a close. The effect of the war on exports of canned goods is not clearly defined, however, since the trend with respect to the individual commodities was affected also by the

current supply situation as to individual commodities. For this reason shifts in exports during the current season were mixed. There were increases over the corresponding period a year earlier in exports of canned grapefruit, apricots, prunes, fruit salad, pineapple, beans with pork, peas, tomato products, and soups. There were decreases in the exports of canned peaches, pears, asparagus and corn.

EXPORT markets normally take about 291 million pounds or 14 percent of the total United States pack of canned fruits, but only about 40 million pounds or 1 percent of the pack of canned vegetables including beans with pork, and soups. Canned apples, apricots, peaches, pears, pineapple, fruit salad, and grapefruit are the important canned fruit items exported; canned asparagus, beans with pork, corn, peas and tomato products are usually the important canned vegetable items. This season through April, exports of all canned fruits combined totaled 327 million pounds compared with 313 million pounds during the corresponding period a year earlier. An increase of 13 million pounds in the export of canned grapefruit about offset a decrease of 3 million pounds in canned peaches and 11 million pounds in canned pears. The net increase in total exports was in canned fruit salads and miscellaneous canned fruits.

Exports of all canned vegetables totaled 83 million pounds during the current season through April, compared with 33 million pounds a year earlier. The increase this season was largely the result of sharp increases in the export of beans with pork, soups and tomato products. Exports of canned beans with pork total 32 million pounds compared with only a little over 4 million a year earlier. Exports of canned soups totaled 13 million pounds or about double that of a year earlier and those of tomato products totaled 20 million pounds compared with only 7 million in the previous period. Exports of asparagus were decreased sharply.

AS a general rule about 85 percent of the exports of canned fruits goes to the United Kingdom and about 10 percent goes to the other countries of Europe. The remaining 5 percent is distributed among a large number of countries scattered throughout the world. During the current season ex-

ports to the United Kingdom have been well maintained and no special effort was made by the British Government to control imports of these products until March 1940. At that time, however, all canned fruits were placed under the import license control system. This act does not necessarily mean that imports are to be curtailed indefinitely but it does indicate that they are going to be regulated. It was reported in March when the shift in policy became effective that stocks of canned fruits in Great Britain had become large and were sufficient for consumption requirements for some time. It is now a matter of conjecture as to when imports will be allowed to flow freely again.

Other considerations likely to have an important influence on United Kingdom imports of canned fruits are questions of exchange control and the availability of shipping space. At the present time the movement of war materials from the United States to Great Britain is the most pressing problem. It is conceivable, however, that, with the spread of the war to the Mediterranean areas, exports of canned fruits from the United States to the United Kingdom may become active again sometime during the coming marketing season. It is doubtful, however, if any exports of these goods will go to other European countries.

THE United Kingdom usually takes about one-third of the exports of canned vegetables and the remainder goes in small lots to numerous countries located in all parts of the world. During the current season the United Kingdom stepped up the imports of beans with pork, tomato products, and soups but decreased the takings of other kinds of canned vegetables. These commodities have been considered as necessities and excellent foods for war time conditions. All these products have been placed under the import license control system along with all food products, and the quantity taken since that action has de-

clined. It is probable, therefore, that exports of canned vegetables from the United States during the coming season will not be as great as in the current season. The situation could change quickly, however, if exchange and credit conditions are improved and adequate shipping space becomes available. Unless prices of the products rise appreciably exports to areas other than Europe probably will continue on a normal basis.

The supply situation in this country during the coming season will also have an important influence on the

export movement. At present it appears that there will be ample raw materials for normal packs of canned fruits, except apricots. The vegetable packs probably will be increased somewhat if yields are average or better, since the planted acreage of most items is indicated to be increased over that of 1939. The carryover of canned vegetables probably will be somewhat smaller than a year earlier, however, and the increased packs probably will no more than offset these decreases.

GUSTAVE BURMEISTER.

Two Years of Crop Insurance

THIS summer the wheat growers are harvesting the second crop for which "all-risk" insurance has been available from the Federal Crop Insurance Corporation. Since its introduction on the 1939 crop, when 166,000 insurance contracts were completed by farmers, the new program has gained rapidly in scope. In 1940, the number of contracts in force increased 128 percent to 379,500, under which farmers are guaranteed income from 106,477,000 bushels of production on 11,300,000 acres in 33 States. To obtain this guarantee—75 percent of the average yield of the insured acres—producers paid into the insurance reserves of the Corporation premiums amounting to 14,807,000 bushels of wheat.

The increased interest of growers in insuring their wheat yields was general over the Wheat Belt, with sizable growth in the number of contracts reported from all but two of the States where the insurance was written. Greatest increases came in the winter Wheat Belt, where nearly three times as many growers paid premiums as in 1939; 310,000 in 1940 as compared to 107,000 in 1939. In the spring Wheat Belt, the increase was from 59,000 con-

tracts in 1939 to 69,000 in 1940. The greater increase in the winter Wheat Belt is attributed to the fact that last year spring wheat growers were able to utilize ACP advances to pay premiums, while winter wheat growers signed up before these were available. Consequently, 1939 brought a higher percentage of sign-up in spring areas, and doubtless some of the 1940 increase in the winter Wheat Belt represents growers who would have insured last year, had they been able to finance premiums.

THE distribution of the insurance on the 1940 crop adds further evidence to the effectiveness of gearing the insurable yields and the premium rates to conditions on the individual farm. There has been no marked tendency for the insurance to be limited to either low-risk or high-risk areas. In general, distribution of contracts follows the normal spread of wheat acreage. In the major winter Wheat Belt, Kansas and Nebraska lead in number of contracts with 60,500 and 57,240, respectively. In the soft winter Wheat Belt, the most contracts are in Ohio with 28,700, Indiana with 28,300, and

Illinois with 14,800. In the spring wheat area, North Dakota, South Dakota, and Minnesota have the largest participation with 31,600, 21,000, and 21,000 contracts, respectively.

More small farms have been brought into the program in 1940, according to figures which show that while the total number of contracts increased by 128 percent over 1939, the insured acreage increased only 56 percent.

AT the present time the adjustment of early 1940 losses is underway with county AAA committees responsible for inspection of damaged or destroyed fields. Where the crop has been totally destroyed the settlement is simple, since the farmer is entitled to the full guaranteed production. Where the crop has been damaged so badly that it is not practicable to carry it to harvest, the potential yield is appraised, and the farmer may claim an indemnity for the net loss. Where the damage is not sufficient to be considered "substantially" total, the final adjustment is made at harvest after the actual yield has been determined.

An important improvement in the settlement of 1940 losses is the option by which a grower can request a "deferred" settlement. Under this option a grower can ask that a cash equivalent payment be deferred up to 90 days, to be made on notice by the grower. When payment is requested, the cash value of the indemnity is computed on the price quotations of the day the notice is received by the Corporation. The deferred settlement option could be of great value to growers in the case of a rising market, yet makes no difference in the liability of the Corporation, since grain for the indemnity is sold from the reserves the day the settlement is computed.

The Corporation also has endeavored in 1940 to locate its wheat reserves as close to the points where indemni-

ties will be paid as possible, and to obtain a good supply of "flat" wheat—that is, wheat which is free of freight charges—in order that it might pay indemnities "in kind" where desired by the grower. The 14,807,000 bushels of reserve are stored at 102 locations in 16 States. About 1,765,000 bushels of this reserve are "flat" wheat.

INSURANCE on the crop planted for 1941 will be written shortly after the current harvest. Except for a few minor administrative changes to promote more "direct-line" operation, the plan is the same as in 1940. All yields and rates have been revised in line with the established policy of rechecking the rate structure annually and bringing into the base period the latest available yield and loss figures for the farm. For the past few months county and State committees have been reworking the data for all farms, adding to the actuarial base the actual yields recorded for the farms in 1939.

The timing of the program has been speeded up two weeks to a month in the winter Wheat Belt by establishing a single closing date, August 31, for acceptance of farmers' applications. To insure yields, growers must apply for a contract and pay the premium before the crop is seeded and in no case later than the closing date. This earlier closing date means that all growers must decide whether or not they will insure before crop conditions can become a factor, thus placing all growers on an equal footing, and guarding against adverse selection of risks. In the spring Wheat Belt the closing date is February 28, 1941, a date that has been found to be sufficiently in advance of planting time.

AS wheat crop insurances goes into its third season, an intangible and yet extremely important factor is the past experience that has been gained

with this new economic device, and the fact that whereas crop insurance started in 1939 from "scratch" there is now a corps of farmer-workers in State and county committees who are

thoroughly familiar with the principles behind the insurance and the technique of administering such a program.

JOHN A. BIRD,
Federal Crop Insurance Corporation.

Production, Slaughter of Meat Animals

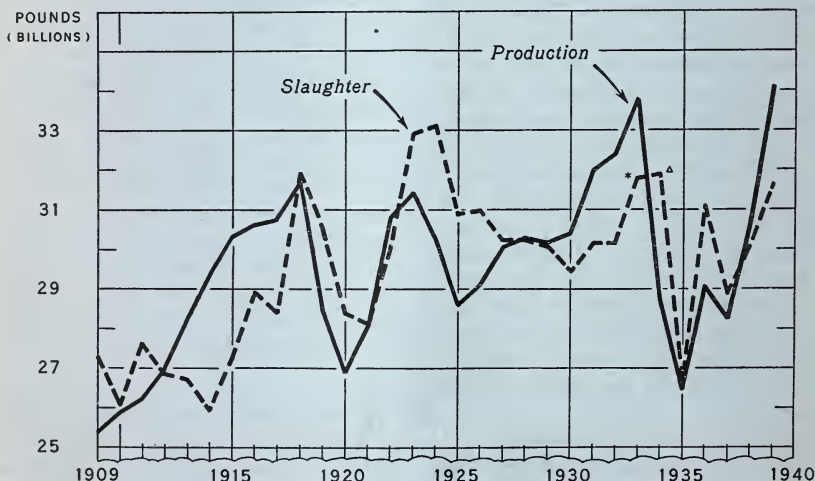
ESTIMATES of production and of total slaughter of meat animals, both in terms of liveweight, are now available for the 31-year period, 1909 to 1939. The accompanying chart shows these figures for this period. The yearly average of both production and slaughter over this period is about 29.5 billion pounds, with production varying from about 25 billion to 34 billion, and slaughter from about 26 billion to 33 billion. However, if the weight of cattle and sheep bought and disposed of by the Government in 1934, were added to the slaughter of that year, the peak of slaughter would have been about 36 billion.

From 1909 to 1918, production increased steadily and at a rather rapid rate. Most of this increase was in

cattle, although the trend of hog production was upward during this time. With both species, the high World War level of prices was an important factor causing the increases. This increased production was not reflected in slaughter until 1916. However, slaughter did not overtake production until 1918, and the total volume of slaughter during this period was much below production as cattle supplies accumulated.

WITH the post-war decline in prices, both slaughter and production declined, but slaughter exceeded production. After 2 years, however, production started upward again rather rapidly, reflecting largely the increase in hog production.

PRODUCTION AND SLAUGHTER OF MEAT ANIMALS
(LIVE WEIGHT BASIS)



* DOES NOT INCLUDE GOVERNMENT HOG SLAUGHTER, 1933

△ DOES NOT INCLUDE GOVERNMENT CATTLE OR EWE SLAUGHTER, 1934

Slaughter started upward a year later and again exceeded production in 1923 and for the years following until about 1928, as heavy cattle slaughter used up the accumulation of the war years.

From 1925 to 1933, production was rather steadily upward, with increased hog and sheep production more than offsetting decreased cattle production until 1928. After that year a rapidly increasing cattle production was added to a continuing high level of hog and sheep production. Slaughter continued to decline from 1928 through 1930 and then advanced until 1933, but was much smaller than production.

PRODUCTION of meat animals was drastically reduced in 1934 and 1935 as a result of the 1934 drought. But from the low point of 1935 it recovered rapidly, with a temporary set

back in 1937, to reach an all-time peak in 1939, with each species at a high level. Slaughter continued to increase in 1934 and would have been the largest on record had the weight of cattle and sheep purchased by the Government and disposed of in that year been added to the total slaughter. Changes in slaughter followed changes in production from 1935 through 1939 with the total above production in the first 3 of these years but below it in 1938 and 1939.

With production at a peak in 1939, it is to be expected that slaughter will continue to increase and that a new peak will be formed in the next few years. After 1940 or 1941, slaughter may again exceed production.

C. L. HARLAN,
Agricultural Marketing Service

UNITED STATES: Exports and Imports of Specified Agricultural Commodities, May, 1939 and 1940, and September–May, 1938–39 and 1939–40 ¹

Commodity	Unit	May		September–May	
		1939	1940	1938–39	1939–40
Exports:					
Pork:		<i>Thousands</i>	<i>Thousands</i>	<i>Thousands</i>	<i>Thousands</i>
Cured pork ²	Lb.....	7,736	1,495	51,916	42,381
Other pork ³	Lb.....	3,951	2,280	28,473	67,780
Total pork.....	Lb.....	11,687	3,775	80,389	110,161
Lard, including neutral.....	Lb.....	25,303	14,889	193,064	195,921
Wheat, including flour.....	Bu.....	14,489	2,239	84,553	36,234
Apples, fresh ⁴	Bu.....	396	79	11,558	2,796
Pears, fresh.....	Lb.....	300	427	131,451	64,455
Tobacco, leaf.....	Lb.....	22,400	30,287	385,952	254,577
Cotton, excluding linters (500 pounds).....	Bale.....	149	238	3,068	6,018
Imports:					
Cattle.....	No.....	63	87	614	505
Beef, canned, incl. corned.....	Lb.....	11,281	9,079	59,657	62,446
Hides and skins ⁵	Lb.....	26,805	23,652	227,175	241,793
Barley malt.....	Lb.....	12,649	4,327	76,156	49,416
Sugar, cane (2,000 pounds).....	Ton.....	206	301	1,652	2,371
Flaxseed.....	Bu.....	1,155	1,434	14,728	11,056
Tobacco, leaf.....	Lb.....	6,514	5,858	43,605	46,395
Wool, excl. free in bond for use in carpets, etc.....	Lb.....	7,327	10,222	52,550	139,677

¹ Corrected to June 24, 1940.

² Includes bacon, hams, shoulders, and sides.

³ Includes fresh, pickled or salted, and canned pork.

⁴ Includes baskets, boxes, and barrels in terms of bushels.

⁵ Excludes the weight of "other hides and skins" which are reported in pieces only.

Office of Foreign Agricultural Relations. Compiled from official records of the Bureau of Foreign and Domestic Commerce.

Economic Trends Affecting Agriculture

Year and month	Industrial production (1923-25=100) ¹	Income of industrial workers (1924-29=100) ²	Cost of living (1924-29=100) ³	Wholesale prices of all commodities ⁴	(1910-14=100)			Farm wages	Taxes ⁵
					Prices paid by farmers for commodities used in— ⁵				
					Living	Production	Living and production		
1925.....	104	98	101	151	164	147	157	176	270
1926.....	108	102	102	146	162	146	155	179	271
1927.....	106	100	100	139	159	145	153	179	277
1928.....	111	100	99	141	160	148	155	179	279
1929.....	119	107	99	139	158	147	153	180	281
1930.....	96	88	96	126	148	140	145	167	277
1931.....	81	67	88	107	126	122	124	130	253
1932.....	64	46	79	95	108	107	107	96	219
1933.....	76	48	76	96	109	108	109	85	187
1934.....	79	61	78	109	122	125	123	95	178
1935.....	90	69	80	117	124	126	125	103	180
1936.....	105	80	81	118	122	126	124	111	182
1937.....	110	94	84	126	128	135	130	126	187
1938.....	86	73	82	115	122	124	122	124	186
1939.....	105	83	82	113	120	122	121	124	-----
1939—June.....	98	80	81	110	119	121	120	-----	-----
July.....	101	80	81	110	-----	-----	120	126	-----
August.....	103	83	81	109	-----	-----	119	-----	-----
September.....	111	86	82	115	122	123	122	-----	-----
October.....	121	91	82	116	-----	-----	122	126	-----
November.....	124	93	82	116	-----	-----	122	-----	-----
December.....	128	93	82	116	121	124	122	-----	-----
1940—January.....	119	93	82	116	-----	-----	122	119	-----
February.....	109	89	82	115	-----	-----	122	-----	-----
March.....	104	87	82	114	121	125	123	-----	-----
April.....	102	86	82	115	-----	-----	123	124	-----
May.....	105	87	82	114	-----	-----	123	-----	-----
June ⁷	-----	-----	-----	113	-----	-----	123	-----	-----

Year and month	Index of prices received by farmers (August 1909-July 1914=100)								Ratio of prices received to prices paid
	Grains	Cotton and cotton-seed	Fruits	Truck crops	Meat animals	Dairy products	Chickens and eggs	All groups	
1925.....	157	177	172	153	140	153	163	156	99
1926.....	131	122	138	143	147	152	159	145	94
1927.....	128	128	144	121	140	155	144	139	91
1928.....	130	152	176	159	151	158	153	149	96
1929.....	120	144	141	149	156	157	162	146	95
1930.....	100	102	162	140	133	137	129	126	87
1931.....	63	63	98	117	92	108	100	87	70
1932.....	44	47	82	102	63	83	82	65	61
1933.....	62	64	74	105	80	82	75	70	64
1934.....	93	99	100	103	68	95	89	90	73
1935.....	103	101	91	125	118	108	117	108	86
1936.....	108	100	100	111	121	119	115	114	92
1937.....	126	95	122	123	132	124	111	121	93
1938.....	74	70	73	101	114	109	108	95	78
1939.....	72	73	77	105	110	104	94	93	77
1939—June.....	73	73	93	105	107	94	83	89	74
July.....	66	73	80	99	107	96	89	89	74
August.....	64	71	70	99	101	100	90	83	74
September.....	83	76	73	117	117	107	102	98	80
October.....	77	74	73	128	112	112	108	97	80
November.....	79	75	66	123	107	117	117	97	80
December.....	87	82	65	96	101	118	97	96	79
1940—January.....	90	85	66	117	103	119	91	99	81
February.....	91	85	76	168	101	118	98	101	83
March.....	92	85	73	128	102	114	83	97	79
April.....	96	85	81	145	104	110	82	98	80
May.....	92	83	88	133	108	106	84	98	78
June.....	83	81	104	134	102	104	81	95	77

¹ Federal Reserve Board, adjusted for seasonal variation.

² Adjusted for seasonal variation.

³ Monthly indexes for months not reported by the Bureau of Labor Statistics are interpolated by use of the National Industrial Conference Board cost-of-living reports.

⁴ Bureau of Labor Statistics index with 1923=100, divided by its 1910-14 average of 68.5.

⁵ These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.

⁶ Index of farm real-estate taxes per acre. Base period represents taxes levied in the calendar years 1909-13, payable mostly within the period Aug. 1, 1909-July 31, 1914.

⁷ Preliminary.

NOTE: The index numbers of industrial production and of industrial workers' income shown above are not comparable in several respects. The base periods are different. The production index includes only mining and manufacturing; the income index also includes transportation. The production index is based on volume only, whereas the income index is affected by wage rates as well as by time worked. There is usually a time lag between changes in volume of production and in workers' income, since output can be increased or decreased to some extent without much change in the number of workers.